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January 31, 2005

Mr. Gary M. Jackson
Assistant Administrator for Size Standards
409 Third Street, SW,
Washington, DC 20416

Subject: SBA Small Business Size-Standard Rule Changes. (RIN 3245-AF22)

Dear Mr. Jackson,

AquilaVision, Inc. is a small business located in Missoula Montana and Moscow Idaho. We are a Veteran owned company and have five employees which expands to ten when work dictates. We would like to state that we are very opposed to the restructuring and simplifying of the SBA's small business standards which would include allowing a Venture Capitol Company (VCC) to own and control SBIR grant proposals.

Our research shows that the nature of large VCC investments is to bring monetary advantages to their invested companies for that, they often take majority ownership in those firms, and/or have multiple affiliations. The result is that the large VCC's often no longer qualify as small businesses for SBIR eligibility. In our opinion, if the affiliation size ruling is waived for VCC's, it:

- 1) **Favors Large VCCs and VCC-Intensive Stages:** SBIR award competition can expect to reach new levels that (in many agencies) will overwhelm efforts by the fledgling companies that dominate in Montana and elsewhere. A well-funded VC company, with a fully fleshed out infrastructure can afford to have a high-profile research team, and professional on-staff with proposal, marketing, and writing skills. This can create a significant advantage in States where there is a strong VCC presence (e.g. California, Ohio, Colorado, & Washington). It will further skew the odds against rural states that do not have the strength of large VCC funding resource. Even small VCC's (which are trying to spring up in Montana) do not want to compete against the large VCC funding in the SBIR program.
- 2) **Opens the Door to Additional Waivers:** One of the tenets of the SBIR program was to preserve small business innovation from dominance by prime contractors, government research, and by non-profit research organizations. Once a waiver is granted to VCC's, the definitions are likely to be subject to challenges by non-profits and other entities that would like to tap into the billions of dollars of research funding in this program. Small business in Montana and elsewhere will find it difficult if not impossible to compete against companies owned by the likes of John Hopkins, MIT, and the Battelle Institute.


- 3) **Promotes Disproportionate Wins:** This new rule has endeavored to impede "proposal mill" companies. These are companies that become very good at proposal competition though their research frequently does not graduate into meaningful Phase III stages. Their success in winning multiple awards impacts the level of competition, making it more difficult for a young company like us regardless of our innovation and commercial potential. Companies well-financed by large VCC will be motivated to bring in ongoing research dollars by any means available for a small company like us and those to follow later this feels like very unfair business practices.

Mr. Jackson, AquilaVision, Inc. does not have large VCC's and special interest lobbyists spending substantial funds to lobby congress for this exemption allowing VCC's and institutional investors who have majority ownership and controls of companies less than 499 employees access into the SBIR program. We have put personal resources and borrowed all of the funding that has launched our company to this point. We have great technology, great business potential, and we have ethics.

It is already difficult for the 1 to 24 employee companies that predominate this country to compete against an entity with 499 employees. Let's not allow the gap to become even more significant.

Thank you for your time and consideration on this matter.

Sincerely,



Charles S. Eubank, Jr.
CEO
AquilaVision, Inc.

